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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1707

INFO AMCONSUL BRISBANE

AMCONSUL PERTH

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

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CINCPACREP CANBERRA

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E.O. 11652: N/A

TAGS: PINT, EGEN, EFIN, AS

SUBJ: INITIAL MOVE TOWARD PRICE CONTROL

1. BEGIN SUMMARY: IN FACE OF GROWING PUBLIC PRESSURE FOR EFFECTIVE
ACTION AGAINST INFLATION PRIME MINISTER SEPT. 17 INTRODUCED
LEGISLATION LOOKING TOWARD POSSIBILITY EVENTUAL PRICE CONTROL
ACTION AT END OF 1973. LEGISLATION WOULD PROVIDE REFERENDUM ON
CONSTITUTIONAL AMENDMENT GIVING FEDERAL GOVERNMENT AUTHORITY TO
REGULATE PRICES. LEGISLATION PASSED HOUSE OF REPRESENTATIVES
SEPT. 18 BUT FACES OPPOSITION IN SENATE. OPPOSITION BASED
LARGELY ON CONTENTION PRICE CONTROL SHOULD BE ACCOMPANIED
BY INCOME CONTROL. LABOR PARTY (ALP) APPEARS UNWILLING TO SEEK
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POWER OVER INCOMES. END SUMMARY.

2. AFTER MANY WEEKS OF PUBLIC DEBATE ON PROBLEM OF INFLATION AND MEASURES WHICH FEDERAL GOVERNMENT MIGHT TAKE TO MEET IT, PRIME MINISTER WHITLAM INTRODUCED BILL IN HOUSE OF REPRESENTATIVES SEPT. 17 DESIGNED TO PROVIDE GOA WITH CONSTITUTIONAL AUTHORITY TO FIX PRICES IN AUSTRALIA. THE BILL PROPOSES A NATIONAL REFERENDUM WHICH COULD TAKE PLACE AS EARLY AS NOVEMBER. GOVERNMENT'S HOPE IS THAT IF BILL IS AGREED TO BY AUSTRALIAN PARLIAMENT AND REFERENDUM APPROVED, IT WILL HAVE CONSTITUTIONAL POWER TO ADOPT PRICE CONTROL LEGISLATION SOME TIME BEFORE CHRISTMAS 1973.

3. GOVERNMENT'S BILL PROVIDING FOR REFERENDUM PASSED HOUSE EVENING SEPT. 18 AFTER ACrimonious DEBATE LASTING BETTER PART OF TWO DAYS. BILL IS NOW BEFORE SENATE. SENATE, HOWEVER, IS SHOWING SOME RELUCTANCE TO APPROVE BILL. BALANCE OF POWER IN SENATE CURRENTLY HELD BY FIVE MEMBERS OF THE DEMOCRATIC LABOR PARTY (DLP). DLP INCLINED TO FAVOR REFERENDUM APPROACH TO PRICE CONTROL, PROVIDED IT IS BROADENED TO COVER AUTHORITY FOR INCOME CONTROL AS WELL. DLP'S VIEWPOINT IS THAT PRICE CONTROL ALONE IS NOT WORKABLE AND THAT FEDERAL GOVERNMENT SHOULD AT SAME TIME BE GIVEN POWER TO CONTROL WAGES AND OTHER INCOME. THEIR PROPOSAL TO PRIME MINISTER

WHITLAM IN EFFECT WAS THAT REFERENDUM ALLOW THE AUSTRALIAN ELECTORATE CHOICE BETWEEN (A) GIVING FEDERAL GOVERNMENT AUTHORITY TO CONTROL PRICES ONLY AND (B) GIVING GOA AUTHORITY TO CONTROL BOTH PRICES AND INCOME.

4. WHITLAM'S ATTEMPT SEPT. 18 TO REACH PRIVATE ACCOMMODATION ON THIS BASIS WITH DLP LEADERSHIP IN ORDER TO ASSURE PASSAGE OF BILL IN SENATE WAS TURNED DOWN BY ALP PARLIAMENTARY CAUCUS MORNING OF SEPT. 19. MOOD OF CAUCUS APPARENTLY WAS THAT NO "DEAL" SHOULD BE MADE WITH DLP TO BRING INCOME CONTROL POWERS UNDER FEDERAL AUTHORITY.

5. IN ADDITION TO ANTAGONISM TOWARD DLP FELT BY MOST ALP PARLIAMENTARIANS, SUGGESTION THAT LABOR FEDERAL GOVERNMENT COOPERATE IN SEEKING FEDERAL CONTROL OF TRADE UNIONISTS INCOMES IN PARTICULAR IS ANATHEMA. IN FACT, ACTU PRESIDENT BOB HAWKE HAS DEMAURED AT STATEMENT, ATTRIBUTED TO HIM BY PRIME MINISTER, THAT HAWKE WOULD USE HIS MODERATING INFLUENCE WITH TRADE UNIONISTS LIMITED OFFICIAL USE

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SHOULD FEDERAL GOVERNMENT BE GIVEN CONTROL OVER PRICES. HAWKE'S COMMENT IS THAT HE IS NO MORE ABLE TO CONTROL ACTIONS OF INDIVIDUAL UNIONS THAN WHITLAM IS ABLE TO CONTROL ALP PARLIAMENTARY CAUCUS. FURTHERMORE, HE SAYS, LABOR MODERATION COULD NOT IN ANY CASE BE EXPECTED UNLESS THE GOA WAS EFFECTIVELY AND DEMONSTRABLY RESTRAINING PRICES.

6. LIBERAL AND COUNTRY PARTY PARLIAMENTARY LEADERSHIP ADAMANTLY

OPPOSE PRICE CONTROL UNLESS ACCOMPANIED BY USE OF ECONOMIC AND MONETARY MEASURES INCLUDING INCOMES CONTROLS. THEY ARGUE THAT IT IS A DELUSION TO BELIEVE THAT CONTROL SOLELY OVER PRICES WOULD SOLVE AUSTRALIA'S INFLATIONARY SITUATION. THEY ALSO OPPOSE REFERENDUM APPROACH ON GROUNDS THAT IF PRIME MINISTER REALLY WISHES TO CONTROL PRICES AND INCOMES HE CAN DO SO IN A MATTER OF WEEKS BY ARRANGING TRANSFER OF AUTHORITY FROM STATE TO FEDERAL LEVEL UNDER EXISTING PROCEDURES WHICH REQUIRE NO REFERENDUM. THEY

HAVE ANNOUNCED THEY WILL OPPOSE GOVERNMENT BILL ON PRICES CONTROL REFERENDUM IN SENATE. SENATE BEGAN ITS CONSIDERATION OF THE BILL SEPT. 19 AND ACCORDING TO LOCAL GROUND RULES HAS UP TO 21 DAYS TO PASS BILL (WITH OR WITHOUT AMENDMENT) OR VOTE IT DOWN.

7. CONFUSION SURROUNDING GOVERNMENT'S BILL HAS BEEN HEIGHTENED BY APPARENTLY AMBIVALENT POSITION OF PRIME MINISTER WHITLAM. HE WAS WIDELY QUOTED A WEEK AGO TO EFFECT THAT HE DID NOT WANT A REFERENDUM ON POWER TO CONTROL PRICES. ON SEPT. 17, HOWEVER, ALP PARLIAMENTARY CAUCUS APPARENTLY OUTVOTED HIM ON THIS POSITION AND HE DUTIFULLY INTRODUCED BILL FOR REFERENDUM ON PRICE CONTROL AUTHORITY TO HOUSE OF REPRESENTATIVES SAME AFTERNOON. IN HIS RESPONSES TO QUESTIONS IN THE HOUSE DURING THE PAST TWO DAYS, PRIME MINISTER HAS SUPPORTED PASSAGE OF REFERENDUM BILL BUT HAS CLEARLY INDICATED THAT HE DOES NOT SEE PRICE CONTROL EITHER AS "SIMPLE SOLUTION" OR AS "PANACEA" TO PROBLEM OF INFLATION IN AUSTRALIA. HIS ATTEMPTED "DEAL" WITH DLP HAS LEFT OBSERVERS WONDERING WHETHER PRIME MINISTER WOULD REALLY USE POWER TO FIX PRICES IF HE RECEIVED IT. IN ANY CASE, PASSAGE OF BILL IN HOUSE IS ONLY FIRST STEP TOWARD REFERENDUM TO AMEND CONSTITUTION AND IT APPEARS THERE WILL BE CONSIDERABLE TROUBLE AHEAD BEFORE THE FATE OF REFERENDUM BILL MUCH LESS OF REFERENDUM ITSELF, IS KNOWN.

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